

Message Text

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PAGE 01 STATE 033122

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TO SEC 178

E.O. 11652: N/A

TAGS: OVIP (KISSINGER)

SUBJECT: PRESS MATERIAL

1. HERewith FULL TEXT EVANS AND NOVAK COLUMN, THURSDAY, FEBRUARY 13, WASHPOST, HEADLINED "KISSINGER'S 'SHORT-CUT' POLICY".

2. SECRETARY OF STATE HENRY KISSINGER HAS WON A BITTER STRUGGLE WITHIN THE FORD ADMINISTRATION OVER INTERNATIONAL OIL PRICING POLICY, EXHIBITING HIS PERVASIVE--AND TO SOME GOVERNMENT OFFICIALS, DISTURBING--ABILITY TO SHORTCIRCUIT REGULAR POLICYMAKING MACHINERY TO GET HIS WAY. KISSINGER'S RIVALS, NOTABLY TREASURY SECRETARY WILLIAM SIMON, DO NOT FULLY REALIZE THEY HAVE LOST. IN FACT, KISSINGER'S OIL PRICE FLOOR IS NO MERE STATE DEPARTMENT PROPOSAL BUT ESTABLISHED ADMINISTRATION POLICY. PRESIDENT FORD ENDORSED IT WITHOUT RECONVENING THE WHITE HOUSE ENERGY RESOURCES COUNCIL, WHICH HAD PREVIOUSLY DEADLOCKED AFTER BITTER DEBATE.

UNCLASSIFIED

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PAGE 02 STATE 033122

3. THAT SEEMS THE DEATH BLOW FOR SIMON'S HOPES OF HARDLINE

BARGAINING DRASTICALLY FORCING DOWN WORLD OIL PRICES. BUT EVEN SOME OFFICIALS WHO DISAGREE WITH SIMON ARE UNEASY OVER KISSINGER'S TRIUMPH. THEY ARE DISMAYED BY HIS POWER TO OVERRIDE OTHER INTERESTED DEPARTMENTS IN IMPOSING HIS IDEAS AS GOVERNMENT POLICY.

4. THE PRICE FLOOR CONCEPT EMERGED FROM THE STATE DEPARTMENT LATE LAST YEAR AS A MEANS OF GUARANTEEING PROFITABLE DEVELOPMENT OF ALTERNATIVE DOMESTIC FUEL SOURCES. THE THEORY: AMERICAN BUSINESSMEN WILL NOT INVEST IN EXPENSIVE ENERGY PROCESSES UNLESS GUARANTEED AGAINST THE INTERNATIONAL OIL CARTEL DROPPING THE PRICE IN RETALIATION.

5. THAT PRODUCED A NOISY CONFRONTATION AT MR. FORD'S VAIL, COLO., SKI CHALET DEC. 27 BETWEEN TWO OF WASHINGTON'S TOUGHEST INFIGHTERS: SIMON AND ASSISTANT SECRETARY OF STATE THOMAS ENDERS. ALTHOUGH PUT DOWN BY THE PRESIDENT FOR INTERRUPTING ENDERS, SIMON MADE HIS POINT: THE FLOOR NEEDLESSLY SUBSIDIZES OIL PRODUCERS AND IS THE WORST KIND OF POLITICS.

6. THE TECHNOCRATS PRESENT, WHILE SYMPATHETIC TO THE PRICE FLOOR CONCEPT, FELT ENDERS' \$7-\$8 LEVEL WAS TOO HIGH AND WONDERED ABOUT TECHNICAL DIFFICULTIES. THE PRESIDENT MADE NO DECISION AT VAIL.

7. BACK IN WASHINGTON, SIMON FUMED ABOUT STATE DEPARTMENT IGNORANCE OF CUSTOMARY BUSINESS RISK-TAKING AND CAME UP WITH A VARIABLE IMPORT TAX TO PROTECT EXPENSIVE NEW DOMESTIC ENERGY SOURCES.

8. THE UPSHOT: A CLASSIC FINESSE. THE PRESIDENT'S ENERGY PROPOSALS OF JAN. 15 CALLED FOR GOVERNMENT ACTION "TO ACHIEVE DOMESTIC ENERGY PRICE LEVELS NECESSARY TO REACH SELF-SUFFICIENCY GOALS" WITHOUT FILLING IN DETAILS, THEREBY POSTPONING A DECISION.

9. SO, IT WAS WITH SOME SHOCK THAT THE TREASURY, OFFICE OF MANAGEMENT AND BUDGET (OMB) AND FEDERAL ENERGY UNCLASSIFIED

UNCLASSIFIED

PAGE 03 STATE 033122

ADMINISTRATION (FEA) ON JAN. 31 RECEIVED KISSINGER'S SPEECH TO BE GIVEN AT THE NATIONAL PRESS CLUB ON FEB. 3. IT HAD BEEN THROUGH MANY DRAFTS AT THE STATE DEPARTMENT, BUT THIS WAS THE FIRST GLANCE FOR OTHER AGENCIES.

10. THAT GLANCE STUNNED THEM. SUPERSEDING THE VAGUE PRESIDENTIAL PROPOSAL, KISSINGER PROPOSED A COMMON FLOOR ON OIL IMPORTS BY WESTERN CONSUMING NATIONS PRIVATELY SET

BY STATE DEPARTMENT SPOKESMAN AT \$7.70 A BARREL. SOME OFFICIALS (INCLUDING ASSISTANT TREASURY SECRETARY GERALD PARSKY) TRIED TO TONE DOWN KISSINGER'S PROPOSAL. IT WAS DELIVERED UNCHANGED. TWO DAYS LATER AT THE MEETING OF WESTERN CONSUMING NATIONS IN PARIS, ENDERS PRESENTED THE PRICE FLOOR AS AN ADMINISTRATION PROPOSAL.

11. PARSKY, ALSO IN PARIS, DENIED THIS WAS MORE THAN THE STATE DEPARTMENT POSITION. IN WASHINGTON, SIMON WAS INSISTING MR. FORD HAD NOT YET DECIDED. FEDERAL ENERGY ADMINISTRATOR FRANK ZARB, SHARING SOME OF SIMON'S MISGIVINGS ABOUT THE FLOOR, AGREED.

12. AND THE ENERGY RESOURCES COUNCIL THIS WEEK DISTRIBUTED AN INTERNAL PAPER TREATING THE PRICE FLOOR AS AN OPEN QUESTION. THE PAPER LISTS THE TREASURY AS OPPOSING ANY FLOOR, THE STATE DEPARTMENT FAVORING A \$7-A-BARREL FLOOR AND THE ENERGY RESOURCES COUNCIL PROPOSING "STANDBY AUTHORITY LEAVING POLICY OPTIONS UNSPECIFIED UNTIL THERE IS A SIGNIFICANT DOWNWARD CHANGE IN THE WORLD OIL PRICE." THUS, THERE WAS NO REALIZATION KISSINGER WAS SPEAKING WITH THE PRESIDENT'S BLESSING.

13. IN TRUTH, THE WHITE HOUSE SUGGESTED THE PRESS CLUB SPEECH TO KISSINGER AS A MEANS OF CLARIFYING INTERNATIONAL ENERGY POLICY JUST BEFORE THE PARIS MEETING, AND THE PRESIDENT DISCUSSED THE SUBJECT WITH KISSINGER BEFORE HIS SPEECH.

14. WHETHER THE PRICE FLOOR WAS SPECIFICALLY DISCUSSED AT THAT MEETING IS UNKNOWN. BUT KISSINGER'S SCHEME DEFINITELY HAS MR. FORD'S SUPPORT. ACTUALLY, THERE SEEMS UNCLASSIFIED

UNCLASSIFIED

PAGE 04 STATE 033122

ONLY A FOGGY REALIZATION AT THE WHITE HOUSE THAT IT MOVES SUBSTANTIALLY BEYOND THE POLICY PREVIOUSLY ADOPTED BY THE ENERGY RESOURCES COUNCIL OR THAT KISSINGER HAS SANDBAGGED HIS OPPOSITION.

15. ALTHOUGH HIS NATIONAL POPULARITY MAY BE DECLINING, KISSINGER'S POWER IS GREATER THAN EVER. WEARING THE DUAL HATS OF NATIONAL SECURITY ADVISER AND SECRETARY OF STATE, HE HAS NOW PREEMPTED INTERNATIONAL ECONOMIC POLICY-MAKING WHICH ONCE WAS THE SECRETARY OF THE TREASURY'S DOMAIN. ADD TO THAT HIS CLOSE ALLIANCE WITH WHITE HOUSE SENIOR AIDE DONALD RUMSFELD AND KISSINGER'S POSITION IS SUPREME-PERHAPS UNPRECEDENTED. AS SUCH, THAT POWER IS BECOMING BOTH A SOURCE OF CONCERN WITHIN THE ADMINISTRATION AND A MORE FREQUENT TARGET FOR DEMOCRATS

AS THE PRESIDENTIAL ELECTION NEARS. INGERSOLL

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